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SUBJECT: UNGA/G-5: SYG BAN INTRODUCES 2008-2009 UN BUDGET

¶1. (U) Summary. UN Secretary-General Ban Ki-moon introduced the proposed program budget for the biennium 2008-2009 before the Committee on Administration and Budget on October 25. SYG Ban stated the proposed budget of \$4.2 billion represents real growth of \$23 million, or 0.5%, over the previous biennium. Chairman Rajat Saha of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) followed with introduction of the ACABQ's report, noting that the proposed budget does not take into account add-on items. He expressed concern regarding the "piecemeal" approach to the budget process. Over the course of two days, all of the regional groups spoke on the issue, followed by 29 individual Member States. All Member States echoed the ACABQ concerns about the "piecemeal" budgeting approach, but were generally divided between North and South positions on major issues related to the proposed budget. End summary.

¶2. (U) On October 25, UN Secretary General Ban Ki-moon introduced the proposed program budget for the biennium 2008-2009 in formal session of the Committee on Administration and Budget. SYG Ban described the proposed budget of \$4.2 billion, representing real growth of \$23 million, or 0.5%, over the previous biennium, as "not much, considering the demands upon us." He emphasized the "unbreakable link" between the "three pillars" of peace, development, and human rights. In an effort to strengthen the UN's capacity to engage and resolve conflicts, SYG Ban asked for \$18 million in funds to strengthen the Department of Political Affairs (DPA). On development, he noted the largely extra-budgetary contributions of \$15 billion annually, but called upon Member States to contribute more. SYG Ban proposed reorganization of the Secretariat to better serve the interests of the least developed, land-locked, and small island nations, calling development a human right.

¶3. (U) In addressing issues of management and UN reform, SYG Ban agreed the Secretariat needed to streamline and rationalize its work, to become "faster, more flexible, and more modern." He announced establishment of a change-management task force to consolidate rules in the areas of human resources, budget and finance, and procurement. SYG Ban stated the proposed budget provides for stiffer internal oversight. He acknowledged the Committee was already considering proposals for a comprehensive revision of the UN system of administration of justice, called upon Member States to extend the "vital work" of the Procurement Task Force for another year, while working towards more permanent independent auditing and investigative capabilities.

ACABQ Raises Concerns

¶4. (U) ACABQ Chairman Rajat Saha next presented the Advisory Committee's report on the proposed programme budget (A/62/7). The ACABQ's recommendations include a reduction of the budget by \$11.5 million. The Advisory Committee expressed concern regarding the "piecemeal approach to the budget process," noting that such an approach "undermines the

budgetary system and budget discipline." The ACABQ also noted that the proposed budget does not include several important add-on items, including the comprehensive review of the Administration of Justice, measures to ensure business continuity in the event of an influenza pandemic, programme budget implications of General Assembly resolutions, and Human Rights Council resolutions. The Advisory Committee criticized the practice of incremental budgeting, in which new mandates lead to requests for new resources over a continuously rising baseline. The ACABQ also recommended greater cooperation among such entities as the Department of Political Affairs (DPA), the Department of Peacekeeping Operations (DPKO), the Department of Field Support, and the Department of Safety and Security, or among the UN Conference on Trade and Development (UNCTAD), the Department of Economic and Social Affairs (DESA), and regional commissions to avoid duplication of effort.

15. (U) On human resource issues, the ACABQ pointed out that efforts should be taken to redeploy posts before new ones are created. The Advisory Committee noted the "consistent bias" toward upward reclassification of posts. However, the ACABQ did support the proposed addition of 12 national posts, at the Office of the UN Special Coordinator for the Middle East Peace Process (UNSCO), the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Latin America and the Caribbean (ECLAC), the Department of Public Information (DPI), and the UN Office at Nairobi (UNON).

#### Member States Divided

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16. (U) Member States in their statements acknowledged that the budget reflects the "strategic vision" of the United

Nations and outlines its "broad objectives, goals and policies to achieve them." Though Member States expressed different priorities in their statements, all shared the ACABQ's concerns regarding the difficulties in determining resource requirements when the budget is presented in a piecemeal manner.

17. (U) Ambassador Mark Wallace intervened on behalf of the U.S. delegation, calling for a budget that "reflects sound management and discipline while supporting the UN's priority activities and fulfillment of its noble purpose." USUN noted that the proposed budget, including recosting and add-ons, might in actuality reach \$4.7 billion, an unsustainable 15 per cent growth beyond 2006-2007 levels. USUN called upon Member States to encourage budget discipline and to adhere as closely to the principle of zero growth in the budget as possible. USUN expressed disappointment that the ACABQ was only able to identify \$11.5 million in savings out of a budget of \$4.2 billion.

18. (U) Member States' interventions were divided for the most part between developing and developed states, as shared by the Group of 77 and China, the Rio Group, and the Africa Group, in contrast with views expressed by the European Union, CANZ, Japan, and the U.S. Development was the priority focus of the developing world, which noted with concern the "nominal increase of 0.5 per cent" that was proposed for development and called the current status of the Development Account "unacceptable." Developing nations called for the strengthening of development and economic mechanisms, particularly DESA, UNCTAD, and regional commissions. They noted that the discontinuation of 2011 outputs in 2008-2009 related predominantly to economic and social affairs and regional cooperation for development. Developing nations called for equitable geographic and gender representation in recruitment to UN posts, and for the filling of vacant posts. Members of the Africa Group, in particular, were concerned about the vacancies in the Office of the Special Advisor for Africa (OSAA) and endorsed the recommendation by the Committee on Program and Coordination (CPC) for the head of OSAA to be appointed immediately.

¶9. (U) Developed nations advocated for sound management and strict budgetary and fiscal discipline. They called for the prioritization of budget add-ons and redeployment of existing resources. Developed nations also called for strengthening of mechanisms for transparency and accountability. The Republic of Korea and Switzerland joined developed states in calling for mandate review as a "powerful instrument" in eliminating outdated or unnecessary items from the budget. Many developed countries also supported reform initiatives, such as strengthening the DPA, the Administration of Justice comprehensive review, and improvements to the procurement system.

¶10. (U) In total, over the course of the two day formal discussion, 35 Member States addressed the Committee on the budget issue: Pakistan (on behalf of G-77 and China), Portugal (for the European Union), the Dominican Republic (for the Rio Group), Canada (for CANZ), South Africa (on behalf of the Africa Group), the Republic of Korea, Bangladesh, Nicaragua, Venezuela, Mexico, Thailand, Japan, Botswana, the United States, Switzerland, Iceland, Egypt, China, Ethiopia, Indonesia, Brazil, Gabon, Norway, Cuba, India, Nigeria, Vietnam, Singapore, Russian Federation, Sudan, Kuwait, Philippines, and Qatar.

¶11. (U) U.S. Statement -

The United States joins other members in expressing our appreciation to the Secretary-General for introducing his proposed budget for 2008-2009 to the Fifth Committee. We would also like to express our appreciation to the members of the Secretariat, including Under Secretary-General Alicia Barcena and Controller Warren Sach and their staff who have produced the budget estimates for our consideration. Our delegation appreciates the difficulty encountered by the Secretary-General in preparing this budget given that the

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budget cycle began before he took office. We welcome his commitment to be personally involved in budget planning for the period 2010-2011.

In addition, we thank the chairman of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), Mr. Rajat Saha, for the report of the Advisory Committee on the budget.

The Secretary-General's preliminary estimate for the biennium 2008-2009 is \$4.19 billion. As the Secretariat has indicated, this figure does not include recosting to take account of inflation and currency fluctuations. Such recosting is likely to add \$270 million to the final figure. The \$4.19 billion preliminary estimate does not include a significant number of "add-ons" identified by the Secretariat. The "add-ons" include a number of reform

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related activities that are likely to be considered during this session. The "add-ons" include such matters as Administration of Justice, OIOS, Human Rights Council activity, Enterprise Resource Planning, additional SPM activity, including UNAMI, or further PBIs. The Secretariat indicated that the "add ons" already identified could cost over \$306 million in addition to the estimated \$270 million for recosting. Thus, it appears that the actual budget could be in the region of \$4.7 billion for 2008-2009 - perhaps even in excess of that number. Such a budget represents an increase of 15 per cent beyond the 2006-2007 budget. Such unrestrained growth in the budget is not sustainable. When the Secretariat proposed an increased budget or additional funding request, we as Member States must insist that the Secretariat identify cost savings and prioritize such new initiatives.

We must encourage budget discipline.

Given the demands on Member States to fund ever-increasing

budgets, it is imperative that we manage the UN's resources wisely. We all recognize that budget discipline is good management and good management is in everyone's best interests. Member States reasonably expect the UN to use the resources that we provide as efficiently as possible in carrying out mandates. My government has consistently maintained and others have advocated that we adhere to zero growth in the budget.

Zero growth does not appear to be an option before us. We must, nonetheless, seek to control growth in the budget while ensuring that there are sufficient funds to meet the mandates authorized by Member States. We have an obligation to do so.

No organization can operate effectively without seeking to prioritize expenditures and reprogram budgets to cut back on redundant or less relevant programs and redirect resources to new challenges and priorities. Meaningful priority setting is key to the achievement of budget discipline. Too many priorities suggests there are no priorities. The future of this institution depends on sound management and governance. We will never truly achieve a persistent culture of sound management and governance without real budgetary discipline.

The Advisory Committee on Administrative and Budgetary Questions has played an important role over the years in bringing some discipline to the UN budget process. We have read the ACABQ report carefully and we share the ACABQ's concern with the "piece-meal approach" taken by the Secretariat in regard to the presentation of the budget. As

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so clearly stated by the ACABQ, it is the responsibility of the Secretariat to ensure that the budget presents the fullest possible picture of UN requirements for the coming biennium. Key to developing a full picture is the need to end "budgeting by installment" which the ACABQ notes is a disservice to Member States and undermines their ability to fulfill our important oversight responsibilities. The budgeting process is based on a partnership between the Secretariat and Member States. As such, the role of Member

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States is undermined if we are confronted with substantial add-ons outside of the normal budget process, as in the present case.

We are disappointed that the ACABQ was able to identify only \$11.5 million in savings out of a budget of \$4.2 billion. We believe that we must examine the budget carefully in an effort to identify even greater savings without undermining the achievement of the mandates of the Organization.

We also look forward to the views of the ACABQ as they address the "add-ons" already identified by the Secretariat, and others that have not yet been identified. We must carefully scrutinize these proposals to identify whether it is appropriate to proceed with them and, if so, we must prioritize their adoption and implementation keeping in mind not only the Secretariat objectives but also the realities of the budget.

Effective management and budgeting is key to setting this organization on a strong foundation. As President Bush remarked, "This great institution must work for great purposes - to free people from tyranny and violence, hunger and disease, illiteracy and ignorance, and poverty and despair."

We look forward to working with other delegations and the Secretariat to approve a budget that reflects sound

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management and discipline while supporting the UN's priority activities and fulfillment of its noble purpose.

Finally, we hope that we can conclude these discussions in a timely manner so that all of the many hardworking people in this room can return home on time for the winter holidays.

